

Message Text

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64

ACTION EUR-12

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TO SECSTATE WASHDC PRIORITY 6566

INFO AMEMBASSY LONDON

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SUBJECT: CANADA ANNOUNCES INTERNATIONAL FINANCING FOR
CANDU POWER STATION FOR THE REPUBLIC OF KOREA

1. IN A NEWS RELEASE DATED MAY 28, 1975, THE
PRESIDENT OF THE EXPORT DEVELOPMENT CORPORATION (EDC),
MR JOHN A. MACDONALD, AND THE MINISTER OF INDUSTRY,
TRADE AND COMMERCE (ITC), THE HONORABLE ALASTAIR
GILLESPIE, ANNOUNCED THAT LOANS OF UP TO \$380
MILLION WILL BE MADE BY EDC, TOGETHER WITH A GROUPE
OF CANADIAN AND BRITISH BANKS, TO SUPPORT THE SALE
BY ATMOIC ENERGY OF CANADA LIMITED (AECL), OF A
600-MEGAWATT CANDU NUCLEAR POWER GENERATING PLANT
TO THE KOREA ELECTRIC COMPANY, SEOUL, A PUBLICLY-
HELD COMPANY CONTROLLED BY THE GOVERNMENT OF
THE REPUBLIC OF KOREA. ACCORDING TO THE
NEWS RELEASE, EDC WILL LEND UP TO \$300
MILLION AND A CONSORTIUM OF SIX CANADIAN BANKS,
HEADED BY THE ROYAL BANK OF CANADA, WILL LEND
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\$30 MILLION TO ASSIST IN THE PURCHASE OF

CANADIAN EQUIPMENT AND SERVICES. THE BRITISH BANKS, HEADED BY HAMBROS BANK LIMITED, WILL LEND UP TO THE EQUIVALENT OF \$50 MILLION FOR U.K. EQUIPMENT AND SERVICES.

2. IN MAKING THE ANNOUNCEMENT, MINISTER GILLESPIES SAID, "THIS SALE REPRESENTS A MAJOR BREAK-THROUGH FOR AECL, FOR CANADIAN TECHNOLOGY AND FOR CANADIAN SUPPLIERS, PARTICULARLY AS THE CONTRACT WAS WON IN COMPETITION WITH THE UNITED STATES SUPPLIERS WHO HAVE CONTRACTS TO BUILD TWO NUCLEAR POWER PLANTS IN KOREA. IT IS ALSO IMPORTANT THAT THIS WILL BE A TURNKEY PROJECT. AECL WILL ACT AS PROJECT MANAGER AND PRIME CONTRACTOR, TAKING FULL RESPONSIBILITY FOR CONSTRUCTING THE PLANT AND PURCHASING THE EQUIPMENT, AND WILL PROVIDE TOTAL WARRANTY OF THE PLANT FOR FINAL PRODUCTIVITY." MR. GILLESPIE ADDED THAT THE COMING INTO EFFECT OF THE CONTRACT AND THE LOAN AGREEMENT IS DEPENDENT ON A SUITABLE AGREEMENT BEING REACHED BETWEEN CANADA AND THE REPUBLIC OF KOREA CONCERNING NUCLEAR SAFEGUARDS AND TRANSFER OF TECHNOLOGY, WHICH WILL BE IN ADDITION TO THE INTERNATIONAL NON-PROLIFERATION TREATY WHICH THE GOVERNMENT OF KOREA RATIFIED EARLIER THIS YEAR.

3. SPEAKING ON BEHALF OF THE EDC BOARD OF DIRECTORS, MR. MACDONALD, SAID THE CANADIAN AND BRITISH FINANCING IS TIED TO THE PURCHASE OF CAPITAL GOODS AND SERVICES IN THE RESPECTIVE COUNTRIES. HE NOTED THAT EDC HAS PARTICIPATED IN COOPERATIVE FINANCING ON A LIMITED SCALE IN THE PAST. HOWEVER, THE PRESENT AGREEMENT MARKS A SIGNIFICANT DEVELOPMENT IN THE FINANCING OF MAJOR INTERNATIONAL PROJECTS IN THAT IT IS THE FIRST TIME A TIED EXPORT LOAN HAS BEEN COMPLETED, ENABLING SEVERAL COUNTRIES TO PRESENT THE BUYER WITH A SINGLE FINANCING DOCUMENT.

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4. COMPLETE TEXT OF NEWS RELEASE WILL FOLLOW BY AIRGRAM.
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